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November 13, 2001

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20508

Re: Steel Investigation No. T.A. 201 – 73, Bearing Quality Steel Rod (Grade 52100)
Exclusion Request

Dear Madam Secretary;

Universal Bearings, Inc. ("UBI") respectfully requests the exclusion of grade 52100 bearing quality hot rolled rod (HTS classification number 7227902030) from any relief granted to the U.S. steel producers as a result of the subject Investigation.

Established in 1959, Universal Bearings, Inc. is a manufacturer of loose needle rollers and roller bearing assemblies, principally to the U.S. automotive industry. Our single plant is located in Bremen, Indiana, providing jobs for approximately 250 employees. Our sales and workforce have roughly doubled during the past seven years, and we anticipate similarly aggressive growth in the future. Applications and uses for our needle rollers include automotive transmissions, universal joints, front wheel drive constant velocity joints, water pump bearings, roller clutches, and various other applications. The end environments are severe, the functions are often critical, and so our specifications for our material and our customers' standards and performance expectations for bearings are predictably high. UBI has a superior reputation among our customers for product quality and reliability.

Fundamental to that reputation and our success as a bearings manufacturer is the raw material that we use. UBI, a QS-9000 and ISO-9002 certified company, has approved only a few suppliers of 52100 wire rod, all of which are foreign producers. Those are the only integrated steel mills worldwide who have demonstrated their ability to provide a reliable product.

From strategic and philosophical standpoints, UBI would welcome a viable domestic producer of 52100 wire rod into our supply base. At present though, none exists for this product. There is only one domestic mill that purports to be a full-line producer (i.e. melt, roll, anneal, clean, and coat) of 52100 bearing quality rod, Republic Steel. UBI in fact purchased a trial lot of more than 150 tons from Republic in late 1997-early 1998. The results of that trial were woeful, and with unanimous agreement among UBI Quality, Engineering, Production, and Purchasing, Republic was subsequently classified and a "Disqualified" supplier. Republic has made no subsequent overtures to UBI concerning additional supply.



A second U.S. source is reported to be interested in supplying 52100 rod, however that project is in its nascent stages at this point and does not entail an integrated mill. Charter Steel has recently approached UBI with an offer to supply rod that they have rolled and finished from Timken-melted billets. That offer, dated October 18, 2001, is currently being considered at UBI. In that arrangement, Timken would melt the steel to bearing-quality standards, sell the billets to Charter who would then roll, anneal, clean and coat the wire rod before selling it to UBI. If UBI were to pursue this project, again referring to the stringent specifications for the material and demanding applications for the bearings, it is likely to take in excess of one year before the mills can be certified, trial material tested, sample rollers fabricated and submitted to our customers for evaluation, and approvals achieved for a single roller part number. Given the various diameters of rod that UBI purchases and the hundreds of part numbers that are made from those sizes, this is a project that would take years to implement. Thus it is easily recognized that no viable domestic alternative exists at this time for the supply of 52100 bearing quality wire rod.

If imports of 52100 bearing-quality wire rod were to be restricted in some fashion, UBI as well as the entire domestic bearings industry and other processors of this material (e.g. wire drawing mills) would be negatively affected. Imposition of duties would of course force raw material costs higher. Quotas would have the same effect by creating shortages and in turn causing prices to be bid up for that lesser amount of material that is available. Both scenarios have the same possible consequences. If material costs were able to be passed through to the bearings customers, then their products would be rendered less competitive vis-à-vis their foreign competition. More likely though, is that the automakers would refuse a price increase, then all suppliers of products made from 52100 rod would suffer eroded profits. A third possible scenario is that the automakers would search for a cheaper foreign supply of bearings, which would of course be made from the same steel that the U.S. bearing makers are using now. In none of these scenarios does a U.S. steel producer either avoid injury or directly benefit, because none offers a suitable substitute for the material that is currently being used. Indeed, the only injury would be incurred by domestic users of 52100 rod.

Universal Bearings, Inc. would experience severe and potentially long-lasting harm if our supply of 52100 wire rod from foreign sources were curtailed. Additionally, UBI is certain that no steel producer in the United States has been or will be injured as a result of imports of this product. Thus to reiterate, UBI respectfully requests the exclusion of grade 52100 bearing quality hot rolled rod (HTS classification number 7227902030) from any relief granted to the U.S. steel producers as a result of this Investigation.

Sincerely,

William L. Grundy, Jr., C.P.M.
Purchasing Manager
Universal Bearings, Inc.